



June 14, 2019

Sent via email (Commission.Secretary@bcuc.com)

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck,

**RE: Project No. 1598947
British Columbia Utilities Commission (Commission)
British Columbia Hydro and Power Authority (BC Hydro) and Boralex Ocean Falls Limited
Partnership (Boralex)
BC Hydro Application Requesting the Commission set a Rate for Boralex's
Electricity Service to BC Hydro**

Following is the response of Boralex regarding the comments filed by BC Hydro with the Commission on June 7, 2019 in this matter.

In its June 7, 2019 letter BC Hydro confirms or otherwise agrees that (i) the Commission should vary Order G-26-10 to reinstate the Commission's jurisdiction under the Utilities Commission Act (UCA) to set a rate and terms and conditions for Boralex's service to BC Hydro, (ii) the terms of the Order G-26-10 exemption that are applicable to the services Boralex provides to its other customers in Ocean Falls should remain in place, (iii) the Commission's proposed modifications to Order G-26-10 would generally accomplish the objective of reinstating the Commission's jurisdiction to set a rate and terms and conditions for Boralex's service to BC Hydro, although BC Hydro proposes that certain sections of the UCA be added to the revised order, (iv) the terms and conditions of the current EPA can be used as the terms and conditions of the interim rate for BC Hydro, subject to the exclusion of a few not applicable sections set out in the table on pages 5 and 6 of BC Hydro's letter, and (v) Boralex should file a rate application with the Commission by August 30, 2019.

With regard to the Commission's proposed modifications to Order G-26-10, Boralex disagrees that the additional sections of the UCA proposed by BC Hydro are necessary for the Commission to "efficiently and effectively review Boralex's rate application and require production of the necessary information". The Commission has the ability to make additional changes to Order G-26-10 in the future if that is actually necessary. Boralex is committed to providing all relevant historic and forecast financial and other information in support of its rate application, including the matters set out in the Commission's letter to Boralex and BC Hydro dated May 3, 2018 under the heading "Rate regulation considerations". In this regard, it is also unnecessary for the Commission to "direct" Boralex to file its rate application by August 30, 2019 as BC Hydro proposes; Boralex has already committed to doing so. Also, Boralex notes that one of the sections BC Hydro proposes to add is section 2(4) of the UCA; Boralex understands that this section was repealed in 2015.

With regard to the use of the terms and conditions of the current EPA as the terms and conditions of the interim rate, Boralex agrees with the table on pages 5 and 6 of BC Hydro's letter.



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The only outstanding substantive issue between Boralex and BC Hydro concerns the appropriate interim rate for BC Hydro's service effective July 1, 2019. In its May 15, 2019 letter to the Commission, BC Hydro took the position that Boralex should file its rate application on a timetable for the Commission to approve an interim rate based on that application effective July 1, 2019. As BC Hydro is aware, the rates proposed in the rate application will be based on Boralex's forecast revenue requirement over the period covered by the application. In its June 7, 2019 letter, BC Hydro now says that Boralex should submit to the Commission (within 2 business days from today's date):

"...recent financial information (both costs and revenues) and an interim rate proposal based thereon. Basing the interim rate on such information is more appropriate than the approach Boralex LP proposed. Moreover, Boralex LP should be able to provide existing historic financial information quickly and on short notice."

Accordingly, BC Hydro now appears to be suggesting that the interim rate be based on historic costs and revenues, rather than a forecast revenue requirement. Nowhere does BC Hydro explain why an interim rate effective July 1, 2019 based on historic financial information is more appropriate than simply using the rate that BC Hydro is already paying under the current EPA, particularly when Boralex will be filing its rate application by August 30, 2019 and requesting approval of interim (and final) rates based on its forecast revenue requirement. With regard to BC Hydro's apparent focus on the revenues received by Boralex from its other customers in Ocean Falls, Boralex's rate application will address the appropriate treatment of those revenues in the establishment of BC Hydro's rate.

BC Hydro also does not explain how basing the interim rate on the current EPA price for no more than two months could possibly be "not fair" to BC Hydro as asserted by BC Hydro. Boralex reiterates again that when it files its rate application with the Commission, it will request approval of revised interim rates based on the rate application revenue requirement to replace the interim rates based on the current EPA price. Boralex will request that the revised interim rates approved by the Commission be made effective July 1, 2019, ensuring that the interim rates payable by BC Hydro for the "gap period" are equal to the interim rates approved by the Commission based on Boralex's rate application (the revised interim rates will, of course, be subject to adjustment once a final rate order is made by the Commission). Accordingly, there is no prejudice (or unfairness) to BC Hydro under Boralex's proposal.

Finally, it is not clear why BC Hydro says in its June 7, 2019 letter that "we had expected that Boralex LP would have filed an application for interim rates by now". As Boralex explained in its May 17, 2019 letter to the Commission, Boralex had been focusing its efforts on negotiating a long-term replacement EPA with BC Hydro and, as the parties were unable to come to agreement, needs a reasonable amount of time to properly prepare and file a rate application with the Commission. Among other things, the application needs to include both historic and forecast capital cost and operating and maintenance expenses, provide an analysis of the appropriate capital structure and return on debt and equity over the period covered by the application, incorporate the results of the engineering assessment work that Boralex is currently undertaking at Ocean Falls, and address the various other matters identified by the Commission in its May 3, 2018 letter to Boralex and BC Hydro. As BC Hydro must know, preparing and assembling this information in a rate application requires time and resources.

Yours truly,

Boralex Ocean Falls Limited Partnership



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